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## **South Africa, Republic of**

### **Wine**

### **Competition Annual**

### **2003**

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#### **Report Highlights:**

South Africa's 2003 wine grape harvest is estimated at 1.2 million tons, a 12% increase from last year because of favorable weather conditions from planting to harvest. Wine producers are expecting a better harvest in terms of both quality and volume. Wine production in 2003 is estimated to increase 12% to about 9.3 million HL at an average recovery of 768 litres of wine per ton of grapes. South Africa's wine exports jumped 23% in 2002 partly in response to a weaker Rand. Further increases are expected in 2003. Stocks are forecast at around 2.54 million HL by the end of this year, a 15% increase from 2002.

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## **Executive Summary**

Overall 2003 wine grape production is expected to increase about 12% from last year to 1.2 million tons because of favorable weather conditions from planting to harvesting. South African wine producers are expecting a better harvest this year both in terms of quality and volume. Total wine production is estimated at 9.3 thousand HL at an average recovery of 768 litres per ton of grapes. Stocks are forecast at around 2.5 million HL by the end of this year, a 15% increase from last year. Domestic consumption is expected to rise by 4%.

South Africa's 2002 wine grape harvest reached about 1.08 million tons, 11% increase from 2001, although the crop was smaller than the average crop over the past 5 years. Wine production totaled 8.3 million HL.

South Africa's wine industry has undergone major changes in the last 10 years. Recent developments include the establishment of a new regulatory and institutional framework, with KWV divested of its statutory obligations to regulate the industry. The free market system has created huge export opportunities but also stiff competition from other wine producing countries. A high demand for red wines in the world market is forcing SA to shift its plantings in favor of red wine varieties. SAWIS projects a global short supply of the 'reds' in the long-run.

The South African Wine industry, which has been product-driven is currently adopting a more market-oriented approach that includes use of new cultivars, and improving existing cultivars.

## **SECTION 1**

*Narratives*

South Africa has five wine regions (Coastal, Olifants River, Boberg, Breede River Valley, and Little Karoo). These regions consist of 14 districts which are classified under the Wine and Spirit Board and further divided into smaller wards according to their specific meso-climates and terroirs. The geographical locations dictate marked differences in grape varieties and wine styles. The classification, regulated under the 1973 legislation, is indicated by a seal of approval by the Wine and Spirit Board on each bottle which guarantees the reliability of all information relating to origin, grape variety and vintage as stated on the label. The total vineyard area around Constantia, Stellenbosch, Paarl and Franschhoek is estimated at 100,000 hectares. Wine is produced from about 340 wine cellars and estates. The wine community comprises around 4,500 producers, employing a labor force of 100,000.

According to SAWIS, South African wine growers and winemakers are committed to the Integrated Production of Wine (IPW) system that focuses on every stage in the production process, from environmental impact studies and correct preparation of the soil to the production of recycleable packaging. Continuous research and upgrading of vineyards and winemaking facilities are conducted in line with environmentally- friendly guidelines.

In recent years, red wines have accounted for 75% of new plantings in order to keep up with international demand. Cabernet Sauvignon is grown in almost all the regions of the Cape but most extensively in Paarl and Stellenbosch, and accounts for about 25% of the hectares planted to red wine grapes. Merlot, which was initially mixed with Cabernet Sauvignon, is now mostly bottled separately. It is produced in the drier regions along the West coast in Stellenbosch, Paarl and Worcester. Pinotage, a cross between Pinot Noir and Hermitage(Cinsaut), is a rich and spicy wine cultivated in 20% of the total red wine vineyards. Pinor Noir is produced from a small area around the cooler Walker Bay and Elgin. There has been an increase in area planted to Shiraz, an intense smoky and spicy wine suited to a warmer climate. Cinsaut is fairly widely planted and used mainly for blending. Cabernet Franc and Mourvedre are recent introduction of red varieties.

South Africa's white varieties still dominate the Cape winelands, although the trend is towards a more market-driven balance between white and reds. Chardonnay, is produced from a number of new vineyards. In 2000, Chenin Blanc, was cultivated on about 25,000 hectares. Sauvignon Blanc wine varieties are grown in the Paarl, Stellenbosch and Constantia areas. There has been a reduction in the area planted to Semillon over the past several years. Other white varieties include Riesling, Colombard, Gewurztraminer, Muscat de Frontignan, Muscat d'Alexandrie, Pinot Gris, Cape Riesling(Crouchen Blanc) and Viognier.

The table below indicates the year 2001 wine production per cultivar and exports in million liters.

Country: SOUTH AFRICA								
Commodity: Wine								
WHITE VARIETIES		2000		2001				
	Tot. HA	Crushed (T)	Exports (000' Liters)	Tot. Ha	Crushed (T)	Exports (000' Litres)	Crushed (T)	Exports (Mil Litres)
Chenin blanc	22,566	310,623	21.689	21,100	265,090	22.262	249,404	28.438
Colombar(d)	11,432	219,034		11,920	195,610		244,539	
Sultana	11,910	34,600		11,070	17,640		47,179	
Chardonnay	6,067	45,514	11.973	5,990	45,040	13.9	59130	17.542
Sauvignon blanc	5,436	63,986	6.625	5,760	50,140	7.615	42983	9.899
Hanepoort	4,047	63,986		3,600	55,190		47,512	
Riesling(cape)	2,161	24,459		1,780	21,710		17,881	
Others	8,130	163,251	40.811	6,650	114,720	53.229	119942	56.579
Total	71749	925453	81.098	67870	765140	97.007	828570	112.458
RED VARIETIES								
Cabernet Sauvignon	8,824	31,698	8.479	10,390	42,180	9.174	44455	10.439
Pinotage	6,501	35,581	7.136	6,880	45,660	8.403	56551	9.066
Merlot	4,888	17,903	2.419	5,710	27,000	3.076	31239	3.791
Cinsaut	3,533	28,530		3,370	26,170		23744	
Shiraz	5,631	13,142	1.112	7,080	22,970	2.06	36456	4.991
Others	4,441	45,864	42.46	5,040	48,360	56.348	58861	75.02
Total	33818	172718	61.606	38460	212340	79.061	251305	103.307

## SECTION II

### Statistical Information

## Production

### Wine

Total 2003 wine grape production is expected to reach about 1,200 million tons, a 12% increase from last year because of favorable weather conditions in most growing areas. However, Constantia's red wine varieties are not as promising because of unseasonal rain, especially for late ripeners. The unseasonal rain also impacted production around the Hemel en Aarde Valley negatively, and resulted in production with a mixture of pH and sugar levels.

The harvest started earlier around Elgin areas, and expectations are a fairly good white vintage harvest; testings have shown a fine Sauvignon Blanc. A bumper crop is expected for reds, especially vintage for Pinot and earlier ripeners.

Robertson and Montagu wine producing areas were declared national disasters because of the flooding of the river in early 2003. However, vineyard damage was very localized to areas like Bloupunt, Van Loveren, and Zandvliet, whose rainfall was estimated at around 300mm over 30 hours on March 24.

Stellenbosch areas, like Heidelberg, rated the 2003 vintage the best in color and tannins, especially for the early-ripening red varieties, because of stable temperatures with limited extreme heat. At Neethlinghof, Swartlands, Kloovenburg vineyards, predictions are low production volumes but with very good quality whites ( Sauvignon Blanc, Chenin Blanc) and reds ( Shiraz, Pinotage and selected Cabernet Sauvignon).

Wines of South Africa (WOSA) rated 2003 vintage one of the finest in recent years. In Paarl, expectations are a smaller total harvest, but 2003 reds have good color and intensity, low pH's good acidities. The Cabernet, Shiraz and Merlot have very good fruit because of more moderate temperatures. In whites, it's a Chardonnay rather than Sauvignon year.

South Africa's 2002 wine grape harvest reached a total of 1.08 million tons, a 11% increase from 2001, though smaller than the average crop over the past 5 years. SAWIS indicates total wine production of about 8.3 million HL at an average recovery of 760 litres of wine per ton of grapes. This is despite downy mildew which spread across grape producing areas in October 2001. The cooler, cloudy conditions during ripening and the absence of heat waves were, however, positive for quality. The coloring of grapes improved in 2002 high quality wines were produced from certain regions.

PSD Table						
Country	South Africa, Republic of					
Commodity	Wine				(1000 MT)(1000 HL)	
	2001	Revised	2002	Estimate	2003	Forecast

	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2002		01/2003		01/2004
TOTAL Grape Crush	0	1080	0	1210	0	1200
Begin Stock (Ctrl App)	0	0	0	0	0	0
Begin Stock (Other)	0	0	0	0	0	0
TOTAL Beginning Stocks	0	2480	0	2220	0	2530
Prod. from Wine Grapes	0	5670	0	6700	0	6400
Prod. from Tabl Grapes	7000	2670	0	2600	0	2600
TOTAL PRODUCTION	7000	8340	0	9300	0	9000
Intra-EU Imports	0	20	0	310	0	320
Other Imports	0	0	0	0	0	0
TOTAL Imports	0	20	0	310	0	320
TOTAL SUPPLY	7000	10840	0	11830	0	11850
Intra-EU Exports	0	1460	0	1840	0	2200
Other Exports	0	300	0	320	0	330
TOTAL Exports	0	1760	0	2160	0	2530
Dom.Consump(Cntrl App)	0	6860	0	7140	0	6720
Dom.Consump(Other)	7000	0	0	0	0	0
TOTAL Dom.Consumption	7000	6860	0	7140	0	6720
End Stocks (Cntrl App)	0	2220	0	2530	0	2600
End Stocks (Other)	0	0	0	0	0	0
TOTAL Ending Stocks	0	2220	0	2530	0	2600
TOTAL DISTRIBUTION	7000	10840	0	11830	0	11850

South Africa's Vine area ( in 1000 Ha)			
1994	1999	2002	2005 (EST)
94	104	108	136

Production ( m/hl)			
4.2	5.9		7.9

2002 wine grapes per wine district is reflected in the table below:

District	GRAPE WINE PRODUCTION				
	2001		2002		2003
	Estimated	Actual	Estimated	Actual	Estimated
Orangeriver	83,000	83,523	90,000	173,860	141,319
Olifantsriver	152,697	159,769	170,000	165,221	198,061
Malmesbury	75,964	80,865	90,000	79,911	105,474
Klein Karoo	36,773	36,170	40,000	42,115	41,306
Paarl	118,161	123,269	130,000	104,748	152,982
Robertson	136,763	141,527	150,000	165,221	172,412
Stellenbosch	113,700	98,653	130,000	76,671	112,200
Worcester	247,403	253,895	260,000	272,049	288,031
Total	964,434	977,671	1,060,000	1,079,875	1,211,785
Litres/ gross Ton		764		772	768
Wine Prod'n ( '000 HL)		7465		8342	9307

The following table shows the area planted and uprooted in the past five years:

Year	Planted(HA)	Uprooted(HA)	Total(HA)
1991	2,882	2,782	91,942



1992	3,643	3,191	92,394
1993	3,654	2,799	93,249
1994	3,445	3,011	93,683
1995	3,793	3,584	93,892
1996	4,550	2,718	95,724
1997	5,398	2,916	98,206
1998	5,646	2,870	100,982
1999	8,368	5,168	104,179
2000	9,400	8,013	105,566
2001	6,783	6,018	106,331
2002	6,603	4,937	107,998

The shift towards increased red varieties is reflected in the above table. The majority of uprootings, which expanded significantly in the past two years, were white grapes; the new plantings were overwhelmingly red varieties.

Country: SOUTH AFRICA								
Commodity:	PRODUCTIO							
WINE	N							
	2000		2001		2002		2003	
	Estimated	Actual	Estimated	Actual	Estimated	Actual	Estimates	'000'
Drinkwine	5850	5402	4,850	5,300	5,400	5,670	6,750	HL
Rebate wine	450	248	400	80	100	270	480	HL
Distilling wine	1620	1299	1,200	1,090	1,300	1,250	830	HL
Non-alcoholic	1080	1423	900	990	1300	1150	1240	HL
Total	9000	8372	7350	7460	8100	8340	9300	HL

At an average yield of 763 litres of wine per ton of grapes crushed, the 2002 harvest amounted to 834 million litres, a 12% increase from a year earlier even though there were downy mildew infections in some wine areas. Drinking wine reached 567 million litres, a 7% increase from 2001, while Rebate wine and Distilled wine rose by 300% and 15% respectively. Non-alcoholic wine increased 16 million litres below the average in 2001.

#### Area planted : vines

AREA PLANTED TO VINES				
	2001		2002	

	Estimate d	Estimated	Actual	Actual	Est.	Est.	Actual	Actual
VINE TYPES	Tot.vines (‘000)	Area ( HA)	Tot. vines ( ‘000)	Area ( HA)	Tot. vines (‘000)	Area ( HA)	Tot. Vines (‘000)	Area (HA)
Wine Grapes	316500	106200	314052	106331	315000	107000	316668	107998
Table Grapes	22400	22400	22538	11173	22700	11500	23733	11946
Rootstocks	560	560	404	143	300	110	262	92
Currants	990	990	1016	333	1030	340	1045	348
Total	340450	130150	338011	117979	339030	118950	341708	120384

The area planted to wine grape vines on commercial farms reached about 107,999 Hectares in 2002, from 106,331 in 2001. The percentage planted to wine grapes was 90%, while 9% was for table grapes and the remaining 1% for both rootstocks and currants. Worcester, with about 18,133 hectares is the largest producer of wine grapes, followed by Paarl(17,557 hectares) Stellenbosch(17,187 hectares) and Orange river(15,431 hectares). Other major wine producing areas are Malmesbury (14,784 Ha), Robertson (12,403 Ha), Olifants River (9,528), and Little Karoo (2,977).

### Crushed Grapes

Country:	SOUTH AFRICA							
Commodity:	CRUSHED GRAPES							
	2000		2001		2002		2003	
	Estimated (T)	Actual (T)	Estimated (T)	Actual (T)	Est. (T)	Actual (T)	Est. (T)	
White Varieties	970766	896591	772000	740027	800000	783870	850000	Tons
Red Varieties	138681	158050	154000	197923	220000	229656	280000	Tons
Table Grapes	46227	43529	40000	39511	40000	66349	70000	Tons
Total	1157674	1098170	964000	977461	1060000	1079875	1200000	Tons

Industry estimates for 2003

The 2002 wine grape harvest increased by 10% from 2001 because of good rainfalls and temperatures.

### Consumption

In South Africa, wine is mostly distributed by supermarkets. South Africa's MY 2003 total domestic sales for drink wine is estimated at around 6,230,000 HL, an increase of 5% from 5,900,000 HL.

### Trade Exports

Export Trade Matrix			
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Country	South Africa, Republic of		
Commodity	Wine		
Time period	Jan-Dec	Units:	HL
Exports for:	2001		2002
U.S.	27,779	U.S.	44,334
Others		Others	
United Kingdom	274,412	United Kingdom	978,477
Netherlands	295,631	Netherlands	370,595
Germany	118,289	Germany	160,919
Australasia	105,395	Denmark	84,303
Belgium	82,506	Belgium	82,213
Canada	69,442	Canada	76,071
France	64,559	Australasia	73,655
Sweden	48,105	France	65,537
Switzerland	29,507	Sweden	50,990
Japan	24,210	Switzerland	42,221
Total for Others	1112056		1984981
Others not Listed	620,026		128,350
Grand Total	1759861		2157665

Country: SOUTH AFRICA							
Commodity: WINE							
	EXPORT						
	2000	2001		2002		2003	
	Actual	Estimated	Actual	Estimated	Actual	Est.	'000

Unfortified Wine	1398	1440	1760	2000	2150	2600	HL
Fortified Wine	4.72	4	5.48	10	5.23	10	HL
Sparkling Wine	6.9	6	7.79	10	14.01	30	HL
Total	1409.62	1450	1773.27	2020	2169	2640	HL

Industry estimates for 2003

South African wine exports grew by more than 20% in 2002 to about 2169 HL, as a result of new market opportunities in Europe, and growing demand for local vintages. The export estimates for 2003 shows an increase of about more than 20% from last year, partly as a result of implementation of the duty-free SA-EU wine agreement. The wine industry is becoming increasingly market-focused and producing wines that are acceptable to the world market at prices that are offering value.

In 2002 the U.K. was still SA's largest wine export market. Exports of Pinotage and Cabernet Sauvignon rose by 15% and 8% respectively.

### Excise duties and Taxes

COUNTRY: SOUTH AFRICA					
TAXES					
EXCISE DUTY					
COMMODITIES:	WINE AND CIDER(R/LITRE)				

			AMENDED DATE			
		02/17/99	02/23/00	02/21/01	2/20/02	26/02/03
Sparkling Wine		1.783	1.8811	2.0692	2.276	2.526
Natural wine and						
Wine-based drinks		0.6436	0.679	0.747	0.807	0.896
Fortified Wine		1.4559	1.536	1.689	1.825	2.01
Cider		1.0804	1.1398	1.208	1.305	1.436
COMMODITIES:	SPIRITS(R/LAA)					
Brandy		27.937	29.3752	32.312	35.7487	39.419
Wine Spirits		28.755	30.3365	33.37	36.71	40.381
Cane Spirits		28.755	30.3365	33.37	36.71	40.381
Grain Spirits		28.755	30.3365	33.37	36.71	40.381
Liqueur		28.755	30.3365	33.37	36.71	40.381
REBATES OF EXCISE DUTY						
GIN		0.139	0.139	0.139	0.139	0.139
SA Whisky		0.46	0.46	0.46	0.46	0.46
VALUE ADDED TAX = 14% FOR 2003						

South Africa increased its UK wine market share for its brands, Kumala, and KWV, which are at 7<sup>th</sup> and 17<sup>th</sup> positions respectively. The UK is still South Africa's largest export market.

## SA-EU AGREEMENT

Following several delays, the South African - EU Agreement on Wine and Spirits was finally signed on January 28, 2002. The EU granted South Africa an annual duty-free volume of South African wine of 35,300,000 litres, with an annual increase of about 6,720,000 litres effective from 2002 to 2011. The agreement applies to EC tariff lines 2204, 2204.21.79, 2204.21.80, 2204.21.83, and 2204.21.84. The agreement ensures reciprocal protection of names indicating EU and Member state origin for spirits with a transitional period of 5 years. The agreement also allows South Africa to protect the use of the name "South Africa" or similar names on wine products to describe the country of origin. The EU committed to contribute 15 million Euros towards restructuring of the wine industry in South Africa to increase opportunities for previously disadvantaged groups.

South African exporters are required to comply with sanitary, phytosanitary and other technical requirements as stipulated by the EC, and Rules of Origins as part of the TDCA. Eighty percent of permits will be allocated in proportion to the market share of historical exporters, based on actual exports during 1998, 1999 and 2000. The remaining 20 percent of exports are to be allocated for new and small, medium and micro enterprises.

During May 2002, the EU launched a new ban on South African wine-makers for the words "Vintage", "Tawny", and "Ruby" on their labels of fortified wine exports. The EU adopted new rules for the labelling of wine, which provide that from January 01, 2003 information on wine must be shown on labels. The labels should indicate the alcoholic strength, lot number or the name of the bottler. The use of certain optional terms, such as production

methods, traditional expressions, names of vineyards or the vintage year are regulated. Provisions applying to third -country wines marketed in the EU are also outlined.

## **AGOA**

South Africa benefits from a duty-free treatment for its wine exports to the US under the African Growth and Opportunity Act.

## **Stocks**

## **Policy**

South Africa's wine industry operates under a free market system, and most buyers and exporters deal directly with the vineyards. Buyers can also now buy on-line by accessing [cybercider.co.za](http://cybercider.co.za)

## **Marketing**

Since 2000, South African wine exporters have been targeting Asian countries as the new market to explore. South African wine producers participated in several wine exhibitions in countries such as Japan and Singapore, and Hongkong. Advertising of SA wine is already taking place in Japan. Export of SA wine to India is also being looked into. Wines of South Africa(WOSA), a non-profit organization responsible for the generic promotion of SA wines on international markets, has worked hard to ensure that South African wine gained volume and market share in off-shore market. Wines of South Africa(WOSA) promotes SA wines in the international markets, with offices in London, Switzerland, Germany, Toronto and New York.. Its efforts have resulted in excellent penetration in Canada, and 20% growth in other markets.

IMOYA, a KWV's brandy mainly for export, won last year's best brandy of the year in the international market. In California, SA wine is sold under the label 'Cape Indaba'.

Research on generic export promotion is conducted by BASCAL, a subdivision of WOSA with a focus on technology.

During April 2002, seventeen of South African wine estates participated in the Nederburg Auction, the principal wholesale wine auction in South Africa.

### **Import regulations:**

South Africa applies a general duty of 25% on wine imports. That duty, combined with the weakness of the Rand and the fact that South Africa is a surplus producer, means that there is only a limited market for imported wines in South Africa.

Contact: Division of Plant Production, Health and Quality: Tel: 27-21-809-1687;Fax: 27-21-887-0036.

### **Labelling requirements:**

Contact: Division of Plant Production , Health & Quality. Tel:27-21-809-1681 or 809-1602; Fax:27-21-887-6392 or 887-6396